



*Advisory Board Quarterly Meeting
Third Quarter FY08*

Presented to
District Energy Advisory Board

May 15, 2008



Agenda

1. Call to Order
2. Election of Chair & Vice Chair
3. Review & Approval of Meeting Minutes for August 16, 2007, November 15, 2007 & February 21, 2008
4. Review and Comparison of DES Unit Costs
5. Review of Operations Monitoring Reports
6. Natural Gas Purchasing Up-Date
7. Financial Report: 3rd Quarter FY08
8. FY2009 Budget Status Report
9. Capital Projects Review
10. Customer Contract Capacity Reviews
11. Other Board Member Items
12. Adjourn



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1. Call to Order



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2. Election of Chair & Vice Chair



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3. Review and Approval of Meeting Minutes of August 16, 2007, November 15, 2007 & February 21, 2008



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4. Review and Comparison of DES Unit Costs

Summary Table 4A: FY08 & FY07 Unit Cost
Comparison

Summary Table 4B: National Unit Cost
Comparison

Environmental Review



Summary Table 4A: Unit Cost Comparison for Previous 12 Months (Apr 07 to Mar 08)

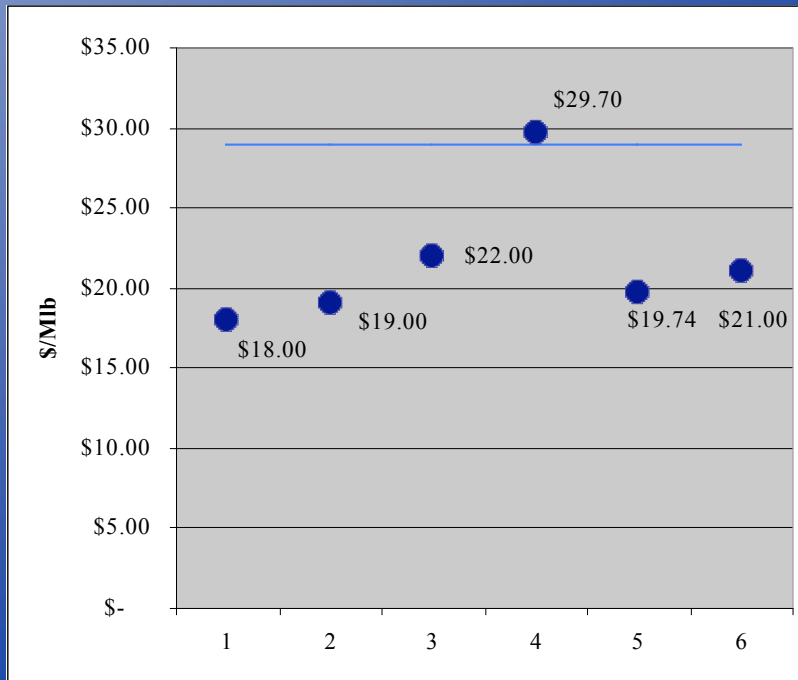
	Steam (\$ per m lb)			Chilled Water (\$ per ton-hr)		
	FY07	FY08	% Diff.	FY07	FY08	% Diff.
Private	\$25.20	\$26.36	4.6%	\$0.168	\$0.175	4.2%
State	\$26.56	\$28.38	6.9%	\$0.162	\$0.175	8.0%
Metro	\$31.37	\$31.40	0.01%	\$0.242	\$0.222	-8.3%
New Customers	\$26.67	\$27.20	2.0%	\$0.225	\$0.216	-4.0%
Aggregate	\$27.69	\$28.82	4.1%	\$0.188	\$0.190	1.1%

Includes MFA allocated to Metro Buildings

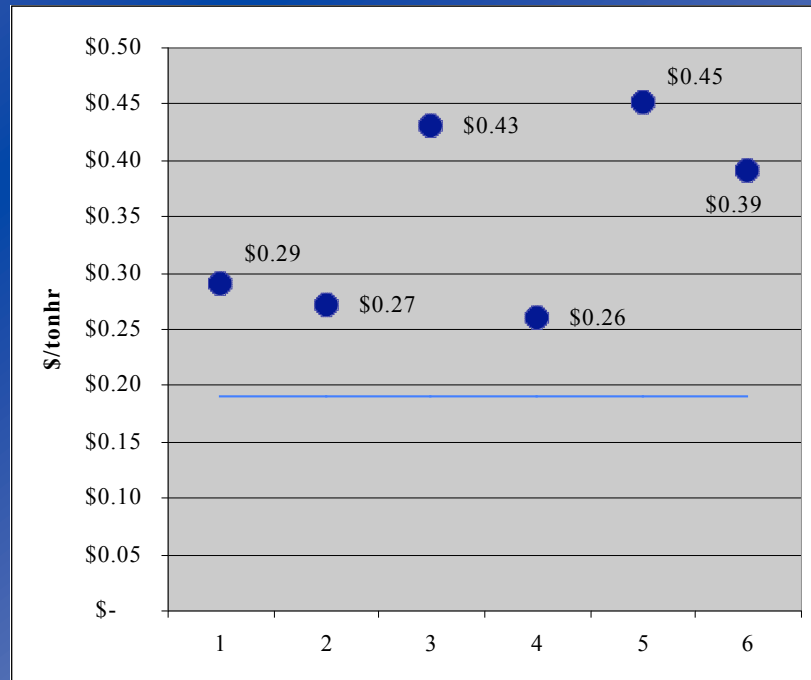


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Summary Table 4B: National Unit Cost Comparison (Rolling DES 12 Month Avg)



Steam

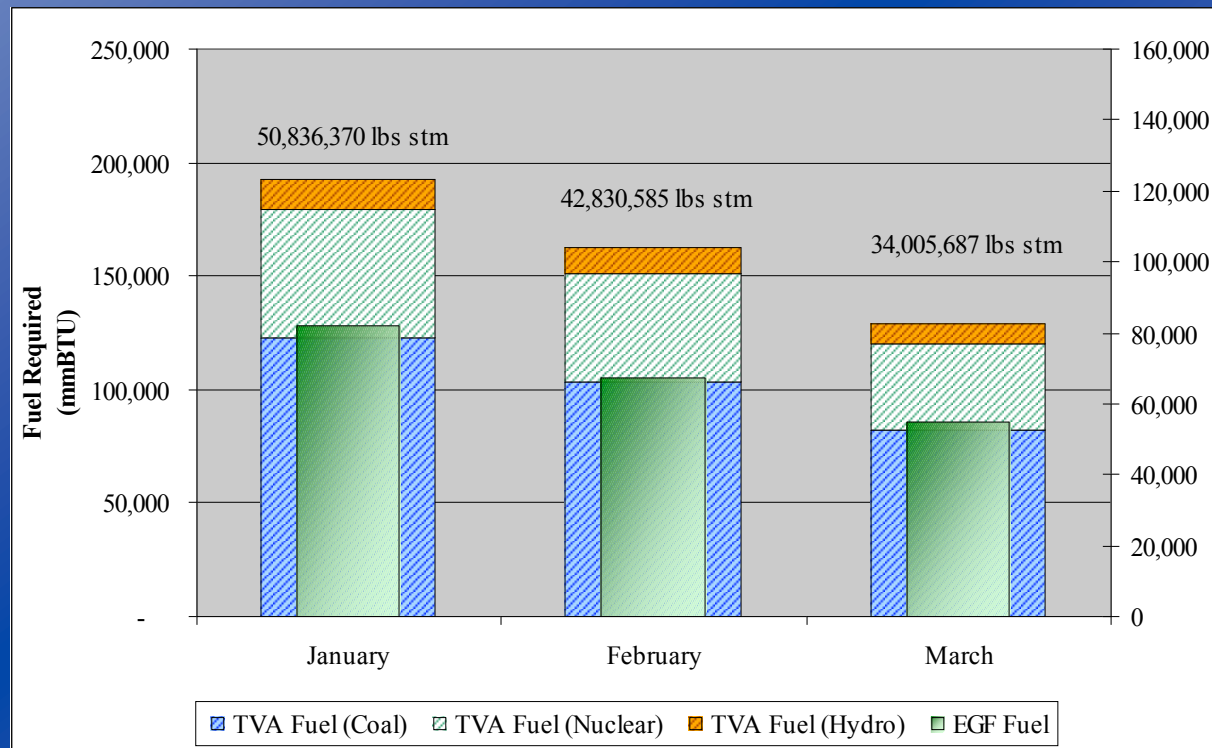


Chilled Water



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Environmental Review: Fuel Comparison

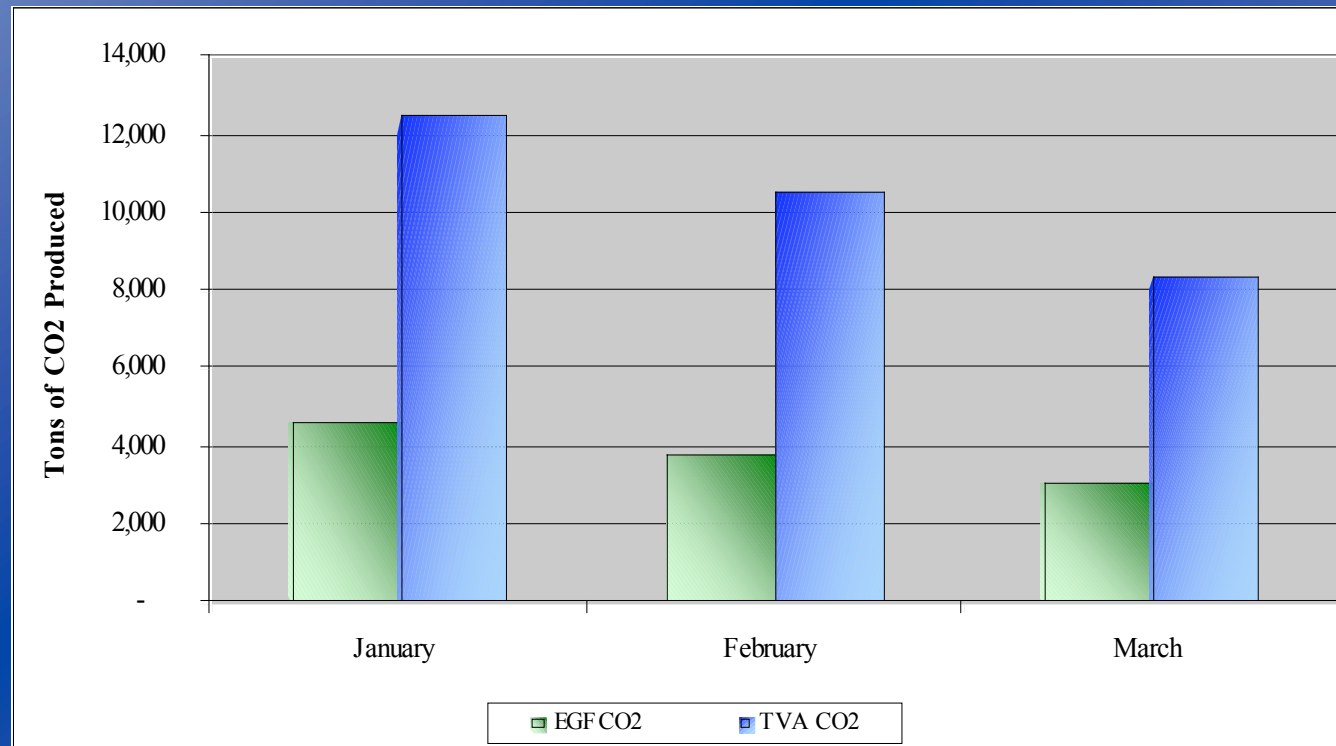


Assumes: 10% TVA distribution losses, 30% TVA plant efficiency and 1,022.1 BTU per lbm for steam-to-energy conversion



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Environmental Review: CO₂ Production



Assumes: 2.66 lbs CO₂ per lbm natural gas at 23,410 BTU/lbm and 2.46 lbs CO₂ per lbm coal at 12,100 BTU/lbm



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5. Review of Operations Monitoring Reports 3rd Quarter FY08



Quarterly Monitoring Report Outline

1. Operations

- Steam: Sales, Sendout, Losses and HDD
- Chilled Water: Sales, Sendout, Losses and CDD

2. Performance Measurement

- Steam: Fuel, Condensate Return, Electricity, Water
- Chilled Water: Electricity, Water

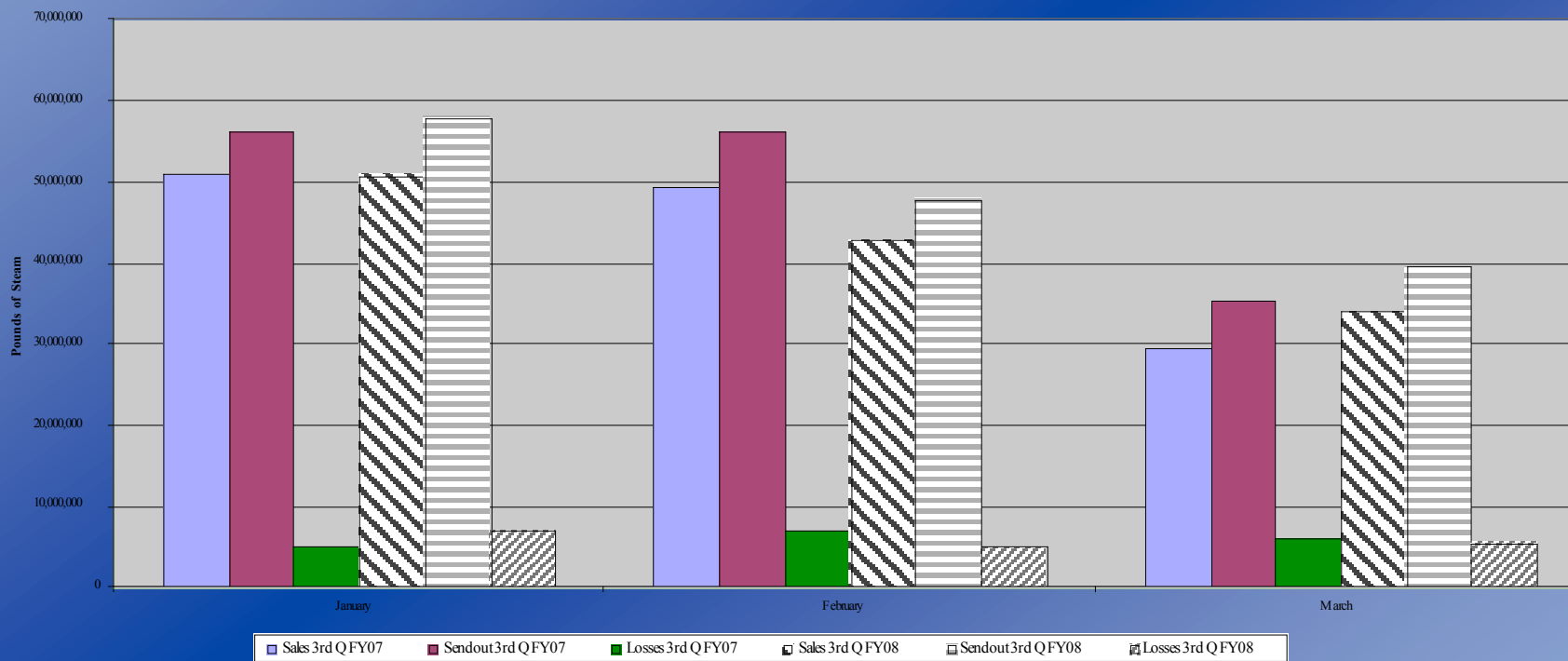
3. Water Treatment

4. EGF Walkthrough

5. EDS Walkthrough



Operations Summary 3rd Quarter FY08: Steam





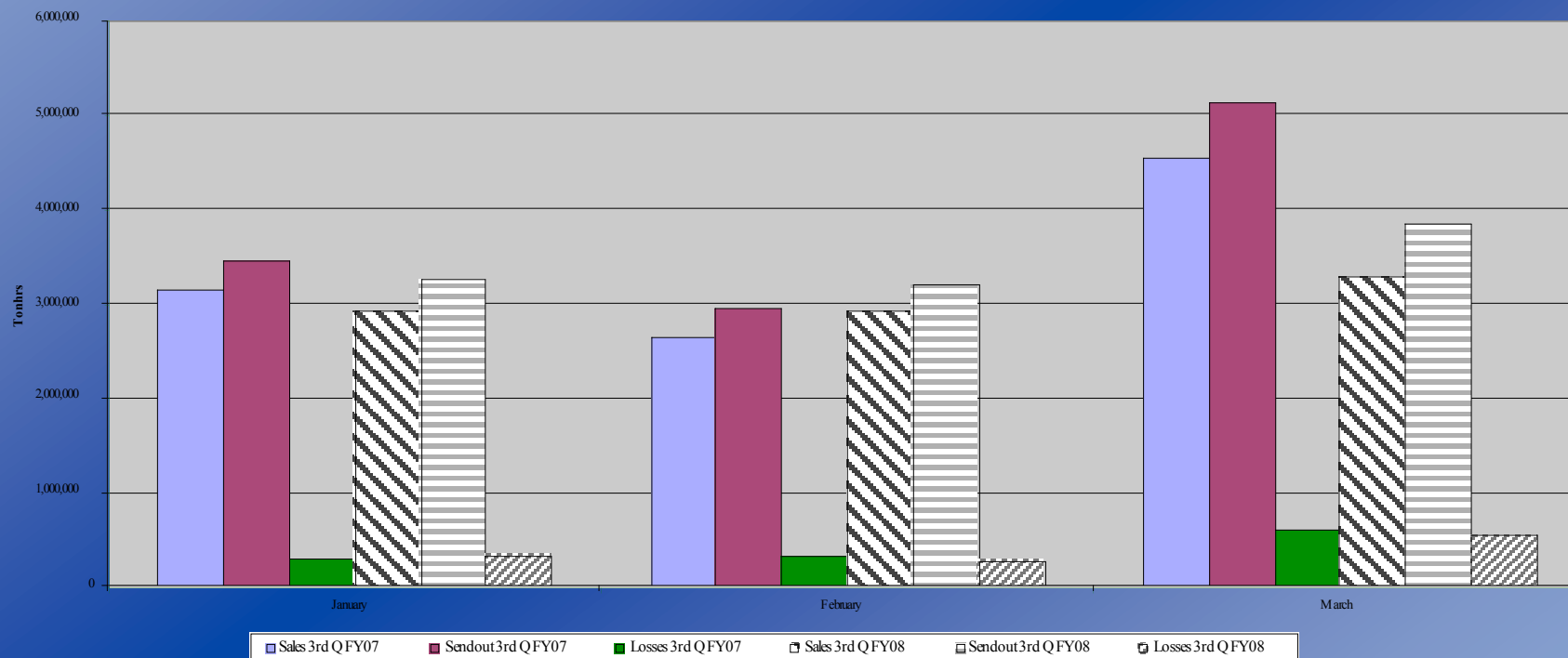
Operations 3rd Quarter FY08 Summary: Steam

	3 rd Qtr FY07	3 rd Qtr FY08	% Difference
Sales (Mlbs)	129,963	127,673	-1.76%
Sendout (Mlbs)	148,275	145,454	-1.90%
Losses (Mlbs)	18,312	17,781	-2.90%
Peak (pph)	122,250	122,531	0.23%
Load Factor	56.15%	54.35%	-3.20%
HDD	1,743	1,950	11.88%



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Operations Summary 3rd Quarter FY08: Chilled Water





Operations 3rd Quarter FY08 Summary : Chilled Water

	3 rd Qtr FY07	3 rd Qtr FY08	% Difference
Sales (tonhrs)	10,344,096	9,149,430	-11.55%
Sendout (tonhrs)	11,597,300	10,316,300	-11.05%
Losses (tonhrs)	1,253,204	1,166,870	-6.89%
Peak (tons)	13,100	9,800	-25.19%
Load Factor	40.99%	48.20%	17.60%
CDD	53	5	-90.57%

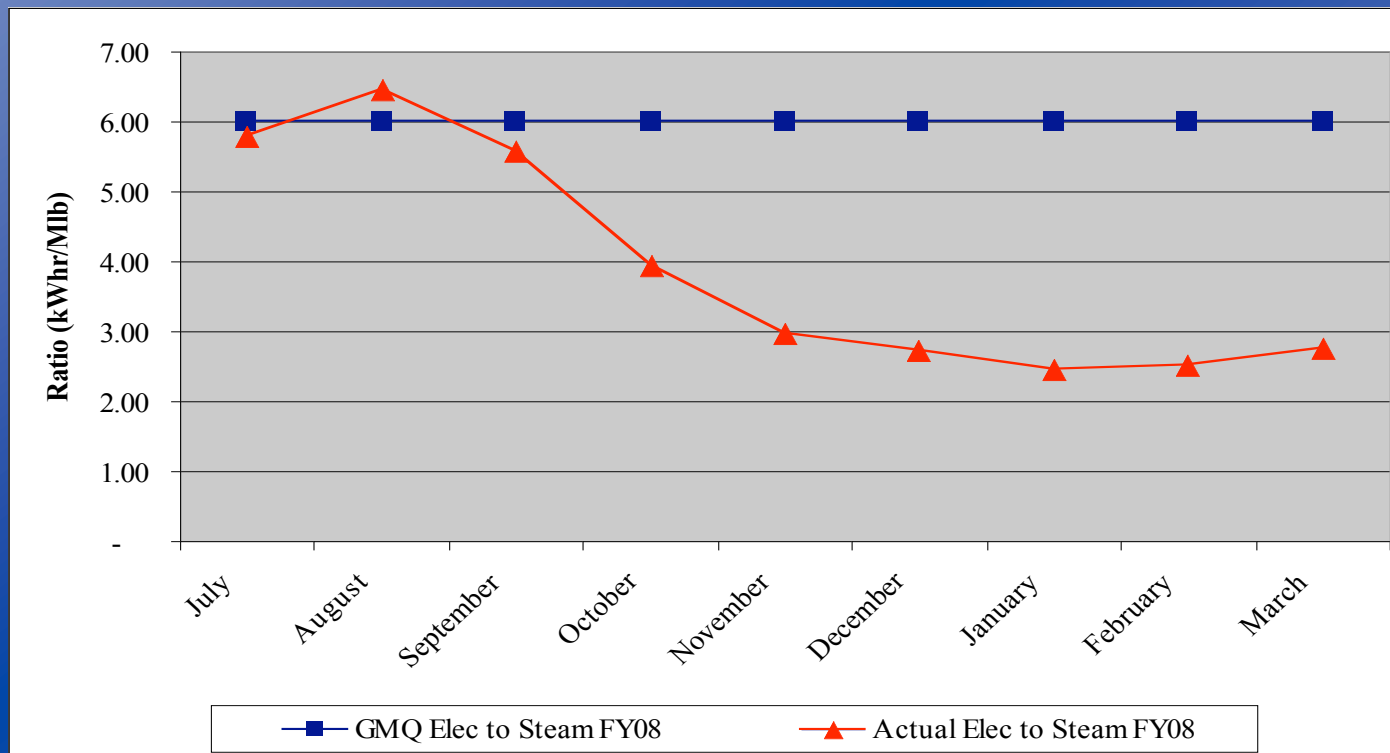


Performance Summary 3rd Qtr FY08: Steam

	3 rd Qtr FY07	3 rd Qtr FY08	% Diff
GMQ Elec (kWhr/Mlb)	6.00	6.00	
Act Elec (kWhr/Mlb)	2.52	2.55	1.34%
GMQ Fuel (Dth/Mlb)	1.781	1.714	
Act Fuel (Dth/Mlb)	1.482	1.404	-5.25%
GMQ Water (kgal)	20,904	8,664	
Act Water (kgal)	20,797	8,767	-57.85%



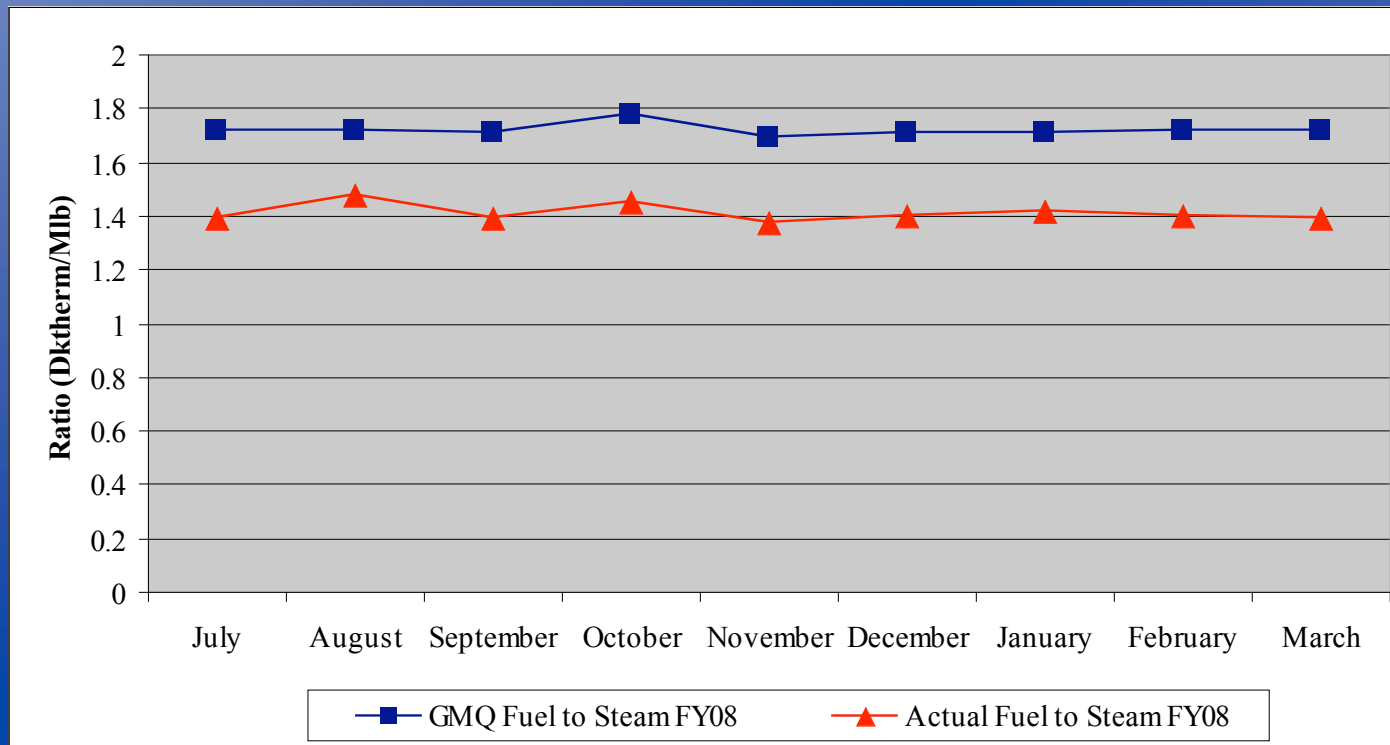
Performance Measurement FY08: Steam Electric Conversion





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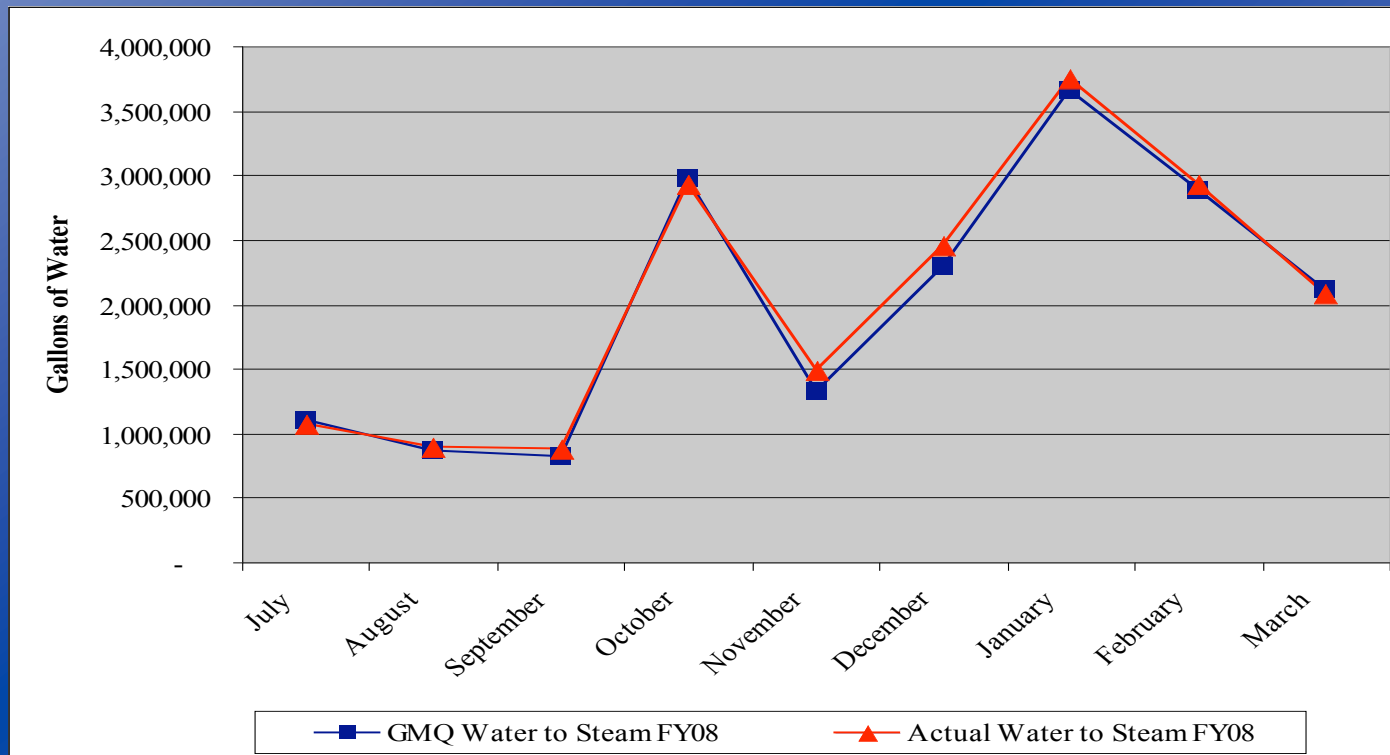
Performance Measurement FY08: Steam Plant Efficiency





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Performance Measurement FY08: Steam Water Conversion



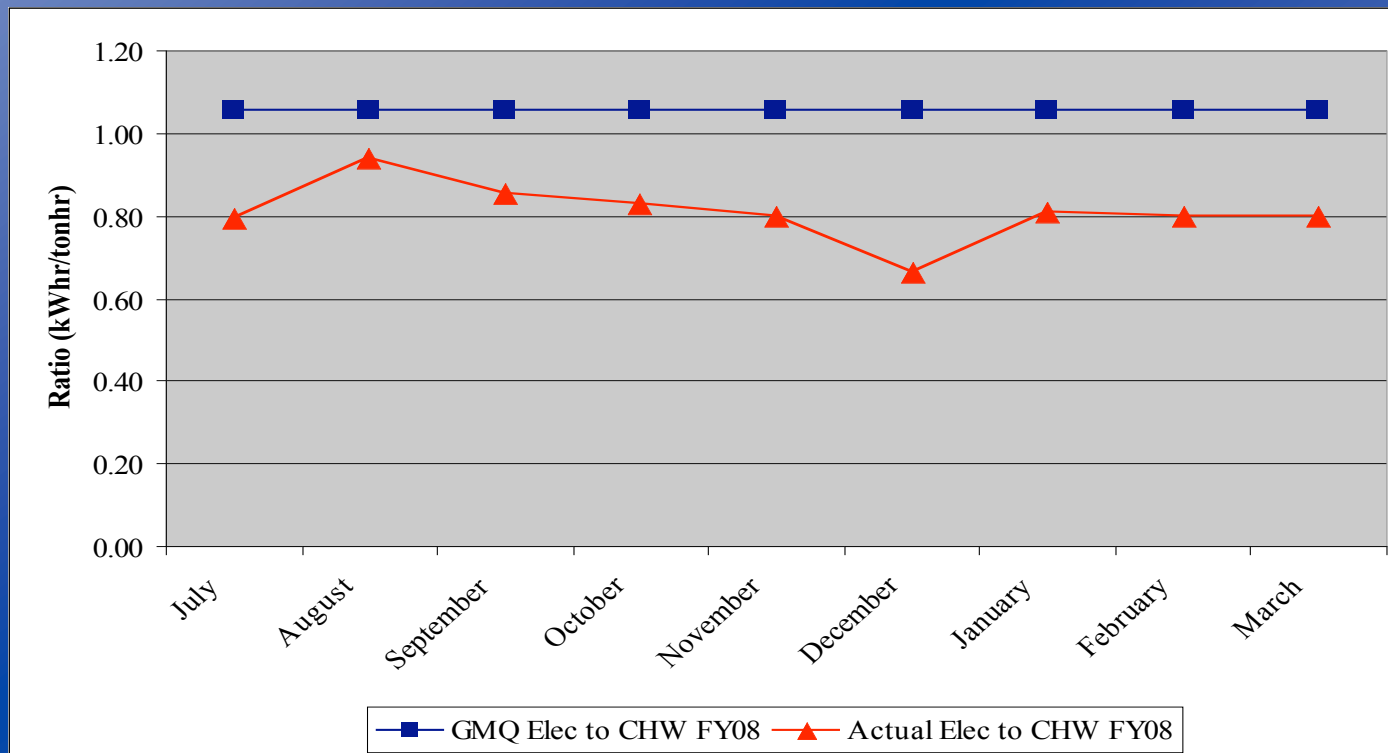


Performance Summary 3rd Qtr FY08: Chilled Water

	3 rd Qtr FY07	3 rd Qtr FY08	% Diff
GMQ Elec (kWhr/tonhr)	1.055	1.055	
Act Elec (kWhr/tonhr)	0.795	0.802	0.94%
GMQ Water (gal/tonhr)	5.25	5.25	
Act Water (gal/tonhr)	1.93	1.64	-15.10%

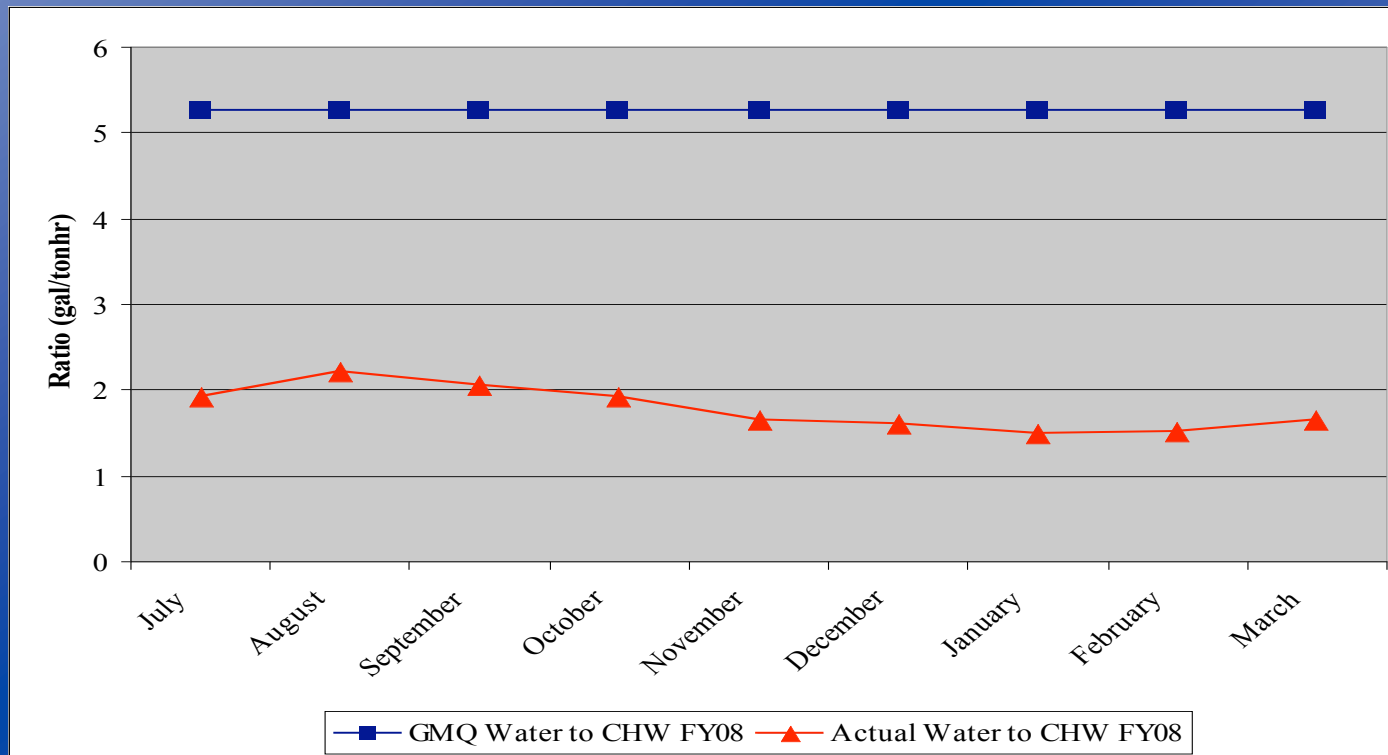


Performance Measurement FY08: Chilled Water Electric Conversion



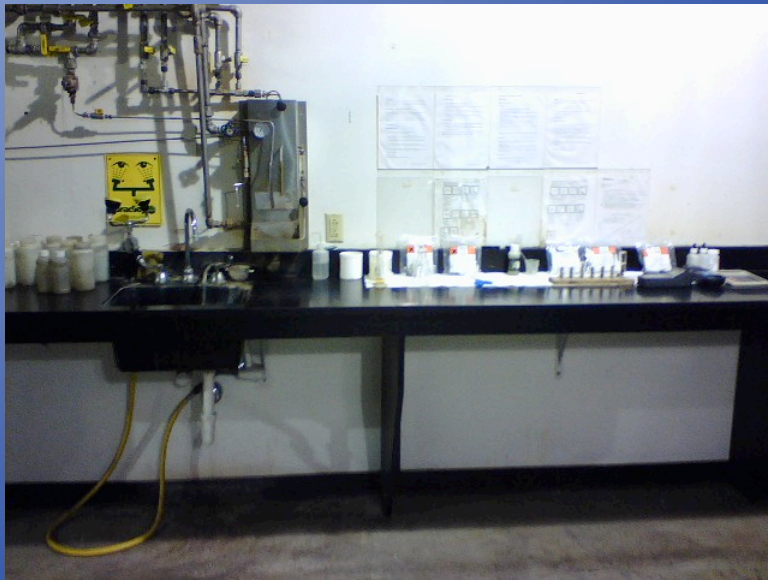


Performance Measurement FY08: Chilled Water Water Conversion





Water Treatment



Systems

- Steam/Condensate
 - Corrosion: good
 - Hardness: trace levels
 - Chlorine: new quills & sulfite system
- Condensing Water
 - Conductivity: normal
 - Biologicals: excellent
- Chilled Water
 - Hardness: excellent
 - Corrosion: excellent
 - Biologicals:azole excursions



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EGF Walkthrough



Quarterly Inspection Process

- Log Book
- Operations
- Housekeeping
- Equipment
- Building Structure
- Building Exterior and Grounds



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EDS Walkthrough



Quarterly Inspection Process

- Housekeeping
- Maintenance Items
 - Insulation Repair/Replacement
 - Water Infiltration
 - Corrosion of Structural Metal Components
- Safety Items



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6. Natural Gas Purchasing Up-date

Natural Gas Purchasing Review

**Table 6A: FY08 Gas Spending &
Budget Comparison**

Table 6B: Projected Gas Costs for FY08

Table 6C: Projected Gas Costs for FY09



Table 6A: FY08 Gas Spending & Budget Comparison

	Actual FY08 To date (Mar 31)	Budget FY08
Steam Sales (Mlbs)	240,987	355,192
Steam Sendout (Mlbs)	293,661	412,022
Fuel Use (Dth)	412,691	611,853
Plant Eff (Dth/Mlb)	1.410	1.485
Total Gas Cost	\$3,874,872	\$7,099,510
Unit Cost of Fuel (\$/Dth)	\$9.389	\$11.514



Table 6B - Projected Gas Costs for FY08

								NDESTargetedHedge Volumes		
FY08	Estimated Consumption (Dth)	Hedged Quantity Dth	Hedge WACOG Price	Current Market Price	Average Commodity Price	Marked to Market Value (Loss)/Gain	Actual Hedged Percentage Level	NDESTarget Hedge Percentage	% of NDES Target Volume Unhedged	# Contracts to Meet NDES Target
Jul-07	26,000	20,700	\$8.668	\$6.929	\$8.313	-\$35,993.16	80%	80%	0%	0.0100
Aug-07	27,000	21,600	\$8.652	\$6.110	\$8.144	-\$54,911.52	80%	80%	0%	0.0000
Sep-07	34,000	27,300	\$8.689	\$5.430	\$8.047	-\$88,981.62	80%	80%	0%	0.0000
Oct-07	48,000	38,600	\$8.673	\$6.423	\$8.233	-\$86,857.72	80%	80%	0%	0.0000
Nov-07	62,000	49,700	\$8.645	\$7.269	\$8.372	-\$68,382.23	80%	80%	0%	0.0000
Dec-07	81,000	56,400	\$8.744	\$7.203	\$8.276	-\$66,895.48	70%	80%	10%	0.8400
Jan-08	86,000	60,600	\$8.742	\$7.172	\$8.278	-\$95,148.06	70%	80%	10%	0.8200
Feb-08	72,000	50,100	\$8.739	\$7.996	\$8.513	-\$37,214.28	70%	80%	10%	0.7500
Mar-08	62,000	43,300	\$8.749	\$8.930	\$8.804	\$7,841.63	70%	80%	10%	0.6300
Apr-08	50,000	25,100	\$8.625	\$9.578	\$9.100	\$23,912.77	50%	80%	30%	1.4800
May-08	36,000	28,800	\$9.449	\$11.280	\$9.815	\$52,741.44	80%	80%	0%	0.0000
Jun-08	28,000	13,900	\$8.634	\$11.301	\$9.977	\$37,068.52	50%	80%	30%	0.8400
Summary	612,000	436,100	\$8.751	\$7.968	\$8.583	-\$432,819.71	71%	80%	9%	5.3400

The result of the most recent conference call (04/24/08) was to not increase the hedged amounts at this time



Table 6C - Projected Gas Costs for FY09

								NDESTargetedHedge Volumes		
FY09	Estimated Consumption (Dth)	Hedged Quantity Dth	Hedge WACOG Price	Current Market Price	Average Commodity Price	Marked to Market Value (Loss)/Gain	Actual Hedged Percentage Level	NDESTarget Hedge Percentage	% of NDES Target Volume Unhedged	# Contracts to Meet NDES Target
Jul-08	20,224	2,000	\$9.735	\$11.431	\$11.263	\$3,392.00	10%	80%	70%	1.4200
Aug-08	20,989	2,100	\$9.735	\$11.513	\$11.335	\$3,733.80	10%	80%	70%	1.4700
Sep-08	22,946	2,300	\$9.735	\$11.535	\$11.355	\$4,140.00	10%	80%	70%	1.6100
Oct-08	35,173	3,500	\$9.735	\$11.599	\$11.414	\$6,524.00	10%	80%	70%	2.4600
Nov-08	52,577	0	\$0.000	\$11.854	\$11.854	\$0.00	0%	80%	80%	4.2100
Dec-08	71,885	0	\$0.000	\$12.224	\$12.224	\$0.00	0%	80%	80%	5.7500
Jan-09	76,502	0	\$0.000	\$12.442	\$12.442	\$0.00	0%	80%	80%	6.1200
Feb-09	63,864	0	\$0.000	\$12.382	\$12.382	\$0.00	0%	80%	80%	5.1100
Mar-09	50,251	0	\$0.000	\$12.102	\$12.102	\$0.00	0%	80%	80%	4.0200
Apr-09	37,112	0	\$0.000	\$10.332	\$10.332	\$0.00	0%	80%	80%	2.9700
May-09	23,449	0	\$0.000	\$10.139	\$10.139	\$0.00	0%	80%	80%	1.8800
Jun-09	22,176	0	\$0.000	\$10.197	\$10.197	\$0.00	0%	80%	80%	1.7700
Summary	497,147	9,900	\$9.735	\$11.479	\$11.722	\$17,789.80	2%	80%	78%	38.7800

The result of the most recent conference call (04/24/08) was to not increase the hedged amounts at this time



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7. Financial Reports: 3rd Qtr FY08

Item		FY08 Budget	First Quarter Expenses	Second Quarter Expenses	Third Quarter Expenses	Fourth Quarter Expenses	Total Spending to Date
FOC:	Basic	\$ 3,769,247.05	\$ 934,992.75	\$ 934,992.75	\$ 934,992.75	\$ -	\$ 2,804,978.25
	9th Chiller	\$ 35,318.03	\$ 8,760.99	\$ 8,760.99	\$ 8,760.99	\$ -	\$ 26,282.97
	C/O 6A	\$ 69,729.10	\$ 17,296.74	\$ 17,296.74	\$ 17,296.74	\$ -	\$ 51,890.22
	C/O 6B	\$ 61,045.19	\$ 15,142.71	\$ 15,142.71	\$ 15,142.71	\$ -	\$ 45,428.13
Pass-thru Charges:	Water	\$ 681,640.00	\$ 166,496.32	\$ 88,797.01	\$ 74,318.98	\$ -	\$ 329,612.31
	Chemical Treatment	\$ 156,500.00	\$ 46,370.82	\$ 47,012.89	\$ 47,281.59	\$ -	\$ 140,665.30
	Engineering	\$ 55,401.26	\$ -	\$ -	\$ -	\$ -	\$ -
	Insurance	\$ 41,200.00	\$ 29,849.94	\$ -	\$ -	\$ -	\$ 29,849.94
	EDS Electricity	\$ -	\$ 8,410.27	\$ 7,820.28	\$ 6,507.55	\$ -	\$ 22,738.10
	EDS R&I	\$ 166,203.78	\$ 30,583.87	\$ 3,634.60	\$ 11,268.64	\$ -	\$ 45,487.11
	EDS Surcharge	\$ 66,371.15	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing:	CES Sales Activity	\$ 27,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
	Incentive Payments	\$ 29,200.00	\$ 7,259.91	\$ 7,259.91	\$ 7,259.91	\$ -	\$ 21,779.73
	Metro Marketing	\$ 53,730.00	\$ -	\$ 27,713.15	\$ -	\$ -	\$ 27,713.15
	Project Administration	\$ 25,640.00	\$ 1,328.69	\$ 0.88	\$ 122.04	\$ -	\$ 1,451.61
FEA:	Steam	\$ -	\$ 23,048.49	\$ 58,726.69	\$ 82,811.89	\$ -	\$ 164,587.07
	Chilled Water	\$ -	\$ 115,602.78	\$ 92,441.27	\$ 70,536.69	\$ -	\$ 278,580.74
Misc:	Metro Credit	\$ -	\$ (174,906.59)	\$ (96,617.70)	\$ (80,826.53)	\$ -	\$ (352,350.82)
	ARFA	\$ -	\$ 13,579.32	\$ 13,579.32	\$ 13,579.32	\$ -	\$ 40,737.96
	Deferral	\$ -	\$ -	\$ (24,290.58)	\$ (51,019.45)	\$ -	\$ (75,310.03)
	Subtotal - Man Fee =	\$ 5,072,021.77	\$ 1,213,233.14	\$ 1,198,636.31	\$ 1,146,765.18	\$ -	\$ 3,558,634.63
Reimbursed Management Fee			\$ 1,165,533.63	\$ 1,069,097.95	\$ 332,344.15	\$ -	\$ 2,566,975.73
Metro Costs:	Metro Incremental Cost	\$ 617,560.00	\$ 278,603.61	\$ 206,808.23	\$ 181,976.32	\$ -	\$ 667,388.16
	Natural Gas	\$ 7,099,510.00	\$ 612,049.30	\$ 1,378,972.05	\$ 1,883,850.86	\$ -	\$ 3,874,872.21
	Propane	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Electricity	\$ 4,693,460.00	\$ 1,315,459.26	\$ 845,874.00	\$ 712,857.16	\$ -	\$ 2,874,190.42
Subtotal - Operations =		\$ 17,648,755.55	\$ 3,449,929.18	\$ 3,633,925.19	\$ 3,936,718.16	\$ -	\$ 11,020,572.53
Debt Service	2002 Bonds	\$ 4,297,568.53	\$ 1,091,036.04	\$ 1,090,594.30	\$ 1,090,373.43	\$ -	\$ 3,272,003.77
	2005 Bonds	\$ 629,837.50	\$ -	\$ 182,418.75	\$ 447,418.00	\$ -	\$ 629,836.75
	FY07 Projects	\$ 227,768.58	\$ 56,950.00	\$ 56,950.00	\$ 56,950.00	\$ -	\$ 170,850.00
Oper. Reserve Funding Deposit		\$ 191,460.22	\$ 47,233.66	\$ 40,851.01	\$ 38,290.18	\$ -	\$ 126,374.85
Subtotal - Capital =		\$ 5,346,634.84	\$ 1,195,219.70	\$ 1,370,814.06	\$ 1,633,031.61	\$ -	\$ 4,199,065.37
Total =		\$ 22,995,390.39	\$ 4,645,148.88	\$ 5,004,739.25	\$ 5,569,749.77	\$ -	\$ 15,219,637.90
Revenues =		\$ 20,586,822.46	\$ 4,374,090.55	\$ 4,598,878.84	\$ 5,077,306.89	\$ -	\$ 14,050,276.28
Metro Funding Amount =		\$ 2,408,567.93	\$ 271,058.33	\$ 405,860.41	\$ 492,442.88	\$ -	\$ 1,169,361.62



8. FY2009 Budget Status Report

Proposed Budget

Item	FY08 Budget	FY09 Budget	Percent Change from FY08
* FOC: Basic	\$ 3,739,971	\$ 3,852,170	3.00%
* FOC: 9th Chiller	\$ 35,044	\$ 36,100	3.01%
* FOC: Change Order 6A	\$ 69,187	\$ 71,820	3.81%
* FOC: Change Order 6B	\$ 57,467	\$ 62,880	9.42%
Chemicals	\$ 156,500	\$ 156,500	0.00%
Engineering	\$ 55,401	\$ 40,000	-27.80%
Insurance	\$ 41,200	\$ 42,440	3.01%
Marketing: CEPS Sales Activity	\$ 27,000	\$ 27,000	0.00%
Metro Marketing	\$ 53,730	\$ 52,890	-1.56%
Incentive Payments	\$ 29,200	\$ 30,150	3.25%
Project Administration	\$ 25,640	\$ 22,090	-13.85%
Metro Incremental Cost	\$ 617,560	\$ 585,420	-5.20%
Water/Sewer	\$ 681,640	\$ 717,800	5.30%
Natural Gas/Propane	\$ 7,099,510	\$ 6,195,700	-12.73%
Electricity	\$ 4,693,460	\$ 4,775,100	1.74%
EDS Repair & Improvement	\$ 166,435	\$ 171,430	3.00%
EDS Surcharge	\$ 66,463	\$ 68,460	3.00%
* Sub-total Operations	\$ 17,615,409	\$ 16,907,950	-4.02%
2002 Bonds	\$ 4,297,569	\$ 4,298,717	0.03%
2005 Bonds	\$ 629,838	\$ 631,588	0.28%
FY07 Projects	\$ 227,769	\$ 227,770	0.00%
FY08 Projects	\$ -	\$ 210,600	n.a.
Oper. Reserve Funding Deposit	\$ 191,460	\$ 97,761	-48.94%
* Sub-total Debt Service	\$ 5,346,635	\$ 5,466,436	2.24%
Customer Adjustme			
Total Expenses	\$ 22,962,044	\$ 22,374,400	-2.56%
Customer Revenues	\$ 20,586,822	\$ 19,719,600	-4.21%
Bond Revenue	\$25,640	\$ 22,090	-13.85%
Total Metro Funding Amount	\$ 2,408,568	\$ 2,632,710	9.31%

* Note: FY08 Budget used the 3% Escalator for the final budget instead of the 2.2% o overstating Budgeted Total FOC's by \$33,356: i.e. \$22,995,400.



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9. Capital Projects Review

Financial Summary

Table 9A: Capital Projects Summary

Table 9B: Capital Project Detail



Table 9A: Capital Project Summary (03/31/08)

	Spent to End of FY07	3 rd Qtr Spending	Balance at End of 3 rd Qtr
2002A Bond	\$3,599,629	\$0	\$72,496
R&I Projects	\$132,104	\$34,688	\$336,744
2005B Bond	\$7,418,815	\$12,700	\$613,017
2007 Bond	\$1,979,628	\$0	\$237,729
2008 Bond	\$0	\$20,261	\$2,703,579
Total	\$13,130,176	\$67,649	\$3,653,340



Table 9B: Capital Project Detail (03/31/08)

	Budget	Spent through 3 rd Qtr FY08	Remaining to Be Spent
2002A Projects			
Total 2002A Closed Projects	\$3,727,703	\$3,655,207	\$72,496
Repair/Improvement	\$276,840	\$121,214	\$336,744
2005B Projects			
Renaissance Re-piping	\$538,818	\$581,757	(\$42,939)
Customer Metering	\$1,676,439	\$1,770,163	(\$93,723)
Regions Cond Line Replacement	\$320,000	\$19,833	\$300,167
General and Admin	\$866,710	\$333,892	\$532,818
<u>Total Closed Projects</u>	<u>\$4,785,044</u>	<u>\$4,868,350</u>	<u>(\$83,306)</u>
Total 2005B Projects	\$8,187,011	\$7,573,995	\$610,017
2007 Projects			
Total 2007 Closed Projects	\$2,858,500	\$2,620,771	\$237,729



Table 9B (cont'd): Capital Project Detail (03/31/08)

	Budget	Spent through 3 rd Qtr FY08	Remaining to Be Spent
2008 Projects			
MH 5 to 9 Cond Replacement	\$550,000	\$4,831	\$545,169
MH 6 to 23 & Sheraton Cond Line Repair	\$700,000	\$7,808	\$692,192
Ryman Aud Cond Replacement	\$150,000	\$3,107	\$146,893
State Steam Tunnel	\$325,000	\$1,674	\$323,326
Tunnel Lighting Ph III	\$90,000	\$0	\$90,000
Temporary Boiler Connection	\$93,500	\$486	\$93,014
MH & Tunnel Insulation Repair	\$100,000	\$3,771	\$96,229
MH & Tunnel Access Modification	\$220,000	\$0	\$220,000
Wildhorse Steam & Cond	\$130,000	\$23,244	\$106,756
<u>General and Admin</u>	<u>\$390,000</u>	<u>\$0</u>	<u>\$390,000</u>
Total 2008 Projects	\$2,748,500	\$44,921	\$2,703,579



Return on Investment

- Capital Project ROI
 - Boiler O₂ Trim
 - Power Factor Correction Capacitor
 - Condensate Return
 - New Customers
- Funding



10. Customer Contract Capacity Reviews

- Most Customers Incurring TIFS
 - 26, 23 & 27 in Jan, Feb & Mar 08
 - Same Customers Repeat (State, Metro)
 - Increase TIFS with Colder Weather
- LP Field Chilled Water Demand Reduced
- Ryman & Municipal Auditorium Steam Excursions



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11. Other Board Member Items



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12. Adjourn